

VZCZCXRO1968
RR RUEHFK RUEHNAG RUEHNH
DE RUEHKO #5689/01 3650120
ZNR UUUUU ZZH
R 310120Z DEC 07
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC 0660
RUEAIIA/CIA WASHDC
INFO RUEHFR/AMEMBASSY PARIS 5926
RUEHFK/AMCONSUL FUKUOKA 5230
RUEHNAG/AMCONSUL NAGOYA 3925
RUEHNH/AMCONSUL NAHA 7626
RUEHOK/AMCONSUL OSAKA KOBE 8895
RUCPDOG/USDOC WASHDC

UNCLAS SECTION 01 OF 10 TOKYO 005689

SIPDIS

PARIS PLEASE PASS TO USOECD
STATE PLEASE PASS TO USTR

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [ETRD](#) [ECON](#) [JA](#) [ZO](#) [EAGR](#)
SUBJECT: The Japan Economic Scope--December 28, 2007

[1](#)1. (U) This cable contains the Japan Economic Scope from December 28, 2007.

[1](#)2. (SBU) Table of Contents

Japanese Government Moves

- [1](#)3. Personnel Shuffle at MOFA?
- [1](#)4. Reg Reform is Back
- [1](#)5. Japan Halts Plans to Start Hunting Humpback Whales

Planes and Trains

- [1](#)5. Rail Improvement Cut into Domestic Aviation Business
- [1](#)6. JAL Reforms Increase in Assertiveness, Fail to Make a Difference
- [1](#)7. ANA Expands Cargo Service but Does Not Expect Immediate Returns
- [1](#)8. Japan Plans 'Smart' Pass for Asia Mainland

Climate Change

- [1](#)9. METI-MOE Joint Report: "Japan's Kyoto Target Can Be Achieved"

Fiscal Policy

- [1](#)10. FY08 Budget Approved by Cabinet
- [1](#)11. DPJ Tax Proposals Highlight Tax Cuts

Financial Issues

- [1](#)12. Japan as Number 2 -- And Falling?
- [1](#)13. Tokyo Stock Exchange Threatens to De-list Sanyo over Accounting Problems
- [1](#)14. FSA Announces Plan to Strengthen Japan's Capital Markets
- [1](#)15. NikkoCitigroup, Keio University Announce Joint Study Group on Tokyo as Global Financial Center
- [1](#)16. Advantage Partners Offer \$2.2B Bid for Tokyo Star Bank

Technology

- [1](#)17. Willcom, KDDI Win Next-generation Licenses for Wireless Broadband
- [1](#)18. Okinawa Starts Regional GIX Demonstration Experiment

Energy

- [1](#)19. JBIC to Give Its Largest Loan Ever to Abu Dhabi National Oil Company
- [1](#)20. Japan Firms Ink Nuclear Energy Deal with Kazakhstan

NOVA English School Troubles

- [1](#)21. G.communication Chair Inayoshi Comments on NOVA Acquisition

Royal News

122. Emperor's 74th Birthday

Sports

123. New Crop of Japanese Players to Spice up Majors in 2008

124. Long Suffering Red Sox Fans Finally Have Something to Divert Attention

125. This Week's Cables

JAPANESE GOVERNMENT MOVES

13. (U) Personnel Shuffle at MOFA?

Media outlets have described a number of upcoming personnel shifts at the Foreign Ministry, but we have been unable to confirm any of them.

According to Mainichi, MOFA's senior bureaucrat, Vice Foreign Minister Shotaro Yachi will retire and be replaced by Deputy Foreign Minister Mitoji Yabunaka, who is known well to the Embassy and in Washington. According to a Sankei report, Yabunaka's appointment will be approved at a cabinet meeting January 15.

Mainichi indicated that Yachi refused a request to remain in his post until the G-8 summit next summer. He has accepted a teaching post at Waseda University.

According to Asahi on December 27, Yabunaka will be replaced by Kenichiro Sasae, who has been serving as Director General for MOFA's Asian and Pacific Affairs Bureau. Akitaka Saiki, the

TOKYO 00005689 002 OF 010

DCM in Japan's Embassy in Washington, will replace Sasae.

The newspaper noted that Yabunaka, Sasae, and Saiki have all been very involved in negotiations with North Korea, and speculated that their appointments represent an effort by the Fukuda administration to engage more vigorously on North Korea than before.

Meanwhile, Asahi also reported that Ichiro Fujisaki will replace Ryoza Kato as Japan's envoy in Washington. Fujisaki has been Japan's top diplomat in Geneva. Mainichi also reported the same shuffle, but said it would not take place until at least next July's G-8 summit.

According to some sources, Fujisaki is known to be very pleased with himself--possessing a certain arrogance that sometimes does not sit well with his interlocutors. Or, as one source put it, the difference between Fujisaki and Kato is the difference between night and day.

When we asked a mid-level official at MOFA who would likely be familiar the personnel shifts being reported in the media, he was very tight-lipped and said he could not confirm any of the movements.

This usually means that the reports are accurate and the formal announcements will come shortly. (ECON: Nicholas Hill)

14. (SBU) Reg Reform is Back

The last round of Regulatory Reform talks between the United States and Japan took place in December, with a number of different working groups convening simultaneously in Tokyo.

In the Cross Sectoral Working Group, the two sides agreed to set aside some agricultural issues, to be taken up January 10-11, again in Tokyo.

An inter-agency delegation led by USTR and USDA will participate in those talks.

The U.S. recommendations addressed at that time are maximum residue limits, food additives, animal products, and plant quarantine issues. Japanese recommendations are BSE measures, organic crop products, and Unshu oranges.

The two sides are covering each other's recommendations in advance of drafting a Report to Leaders, expected to be exchanged next summer.

For more information on the talks, please contact us. (ECON: Nicholas Hill)

15. (SBU) Japan Halts Plans to Start Hunting Humpback Whales

In a press conference on December 21, Chief Cabinet Secretary Nobutaka Machimura announced that Japan will suspend its plans to start hunting 50 Humpback whales in the Southern Ocean. The Asahi Shimbun reported that this decision was made as a response to a request by International Whaling Commission (IWC) Chair and U.S. Commissioner to the IWC, William Hogarth. During a mid-December visit to Japan, Mr. Hogarth also promised to work at normalizing the highly divisive IWC.

Since 2005, Japan has expanded its annual research whaling program in the Antarctic by catching 50 fin whales and doubling the Minke whale catch to 850. From the 2007/08 season, it had also planned to add 50 Humpback whales. This planned addition faced particularly strong criticism from anti-whaling nations such as Australia because of the species' popularity with whale watching tours. As a sign of increased opposition to Japan's research whaling, Australian PM Rudd announced a plan to dispatch patrol vessels to monitor whaling activities.

Although whale meat is persistently popular in Japan, the suspension of the hunt should not negatively affect the marketplace. Hiroshi Nakada, President of Geishoku Kabo (Whale Food Lab), a GOJ-created whale meat marketing company, told Post that because the quality of humpback whale meat is not high, his business would not suffer. For more information please see Tokyo 5536 and 2006 Tokyo 4424. (ECON: Keiko Kandachi)

TOKYO 00005689 003 OF 010

----- PLANES AND TRAINS -----

16. (SBU) Rail Improvement Cut into Domestic Aviation Business

The bullet train line (shinkansen) planned to link the nation's main island of Honshu and Hokkaido will get a budget boost next fiscal year as construction barrels toward its scheduled completion at the end of fiscal 2015, according to a December 26 Nikkei news article.

This is bad news for the domestic aviation industry which has already been struggling under weak sales and increasing loss of passengers to the shinkansen. A representative of a Japanese low cost carrier told us his carriers' few remaining profitable routes are Hokkaido, Nagoya-Osaka and Naha routes.

JR Tokai announced plans to self-finance a Tokyo-Nagoya magnetic levitation train line slated to begin operation in 12025. Maglev service would shorten the trip between the two metropolitan areas to 40-50 minutes. JR Tokai outlined the initiative in April and estimates the cost of building the 290 km route at 5.1 trillion yen. The decision to use its own money to build the maglev shinkansen line reflects its concern over the lack of certainty of future government funding.

ANA officials told us that before the latest "Shinkansen 700" cars came into service last summer, travel time between Tokyo and Kansai was about the same by train or by air, if you include the time needed to pass through airport security. But, the new train service is now faster than air travel. In

response, both ANA and JAL lowered ticket prices to match the cost of shinkansen tickets, but have not, so far, seen an increase in passenger flow. (ECON: Charlotte Crouch)

17. (SBU) JAL Reforms Increase in Assertiveness, Fail to Make a Difference

JAL has continued its internal reforms with increasing assertiveness. Despite telling us last week they had no plans to sell more hotels, news reports this week indicated they sold hotels in London and Saipan for eight billion yen (\$70 million).

JAL finally reached an agreement with its largest labor union, JALFIO, on company retirement revisions, including a 10 percent cut in retirement benefits according to a December 21 Nikkei article. JALFIO represents 70 percent of the JAL's unionized workforce.

Nikkei December 24 reported JAL has asked a Brazilian company to provide 20 pilots--a move JAL told us a few months ago they would not consider. At that time, we noted Korean Air makes extensive use of lower cost pilots, mostly from Latin America, but JAL officials said such a strategy would not work for them.

A relatively minor story about JALWAYS attendants serving leftover food to customers comes at a time the company and its subsidiaries can least weather bad publicity. JAL's passenger load is down 3.4 percent from last year, but international load rose one percent. ANA meanwhile, saw its passenger load rise 8.8 percent to an all-time high. (ECON: Charlotte Crouch)

18. (SBU) NA Expands Cargo Service but Does Not Expect Immediate Returns

ANA officials confirmed to us details of a Nikkei article indicating the company will take a 34 percent stake in a cargo delivery joint venture with Nippon Express and Kintetsu World Express. The two delivery companies will each hold a 28 percent stake in the venture.

However, ANA officials said cargo business remains slow and it could be years before it picks up again.

We also discussed Japan's ODA projects supporting road and rail construction in Laos, Cambodia, Vietnam and Thailand as part of a GOJ strategic plan to expand markets for Japanese products in the region. Both ANA and JAL officials were skeptical the plan could increase the air cargo market into or out of Japan.

TOKYO 00005689 004 OF 010

JAL officials pointed out, despite heavy GOJ investment in the Shanghai airport, no one in China knows that the Japanese built it. Officials from both airlines saw no value in the GOJ's attempts to increase the potential cargo market on the Asia mainland using ODA funds to increase the region's transportation infrastructure.

Nippon Express and Kintetsu World Express originally sought to negotiate a tie-up with JAL but the air carrier, under pressure from its main lenders to restructure its money-losing cargo business, could not seal the deal. (ECON: Charlotte Crouch)

19. (U) Japan Plans 'Smart' Pass for Asia Mainland

Japanese transport ministry official Hiroyuki Hotta told Reuters December 21 the GOJ plans to develop a card which can be used to pay train fares throughout Asia. Smart cards, which are held briefly over a scanner to open station ticket gates, are widely used in Tokyo, Seoul and Hong Kong. But they have yet to transcend borders, because there are not yet international standards for the data they contain.

Embassy officials met with Tokyo Metro (subway) officials last month and they boasted Japan has recently developed a Smart Card which will work on all train lines in Japan, regardless

of the operator, increasing the ease with which passengers can move from one transit system to another.

Japan's transport ministry aims to solve the international challenge by developing cards with chips that work in different countries. "It's significant for such a system to be developed in a region (like Asia) where there are subways and commuter railways in densely populated areas," Hotta said. The smart cards should be in use by 2011, Hotta said.

An independent consultant who spoke with Embassy officials last week detailed plans for GOJ's development of transportation systems on the Asia mainland. Japan's work on developing transport systems in Asia makes it the ideal place to also develop a "Smart Card" that can be used on all system. (ECON: Charlotte Crouch)

CLIMATE CHANGE

110. (U) METI-MOE Joint Report: "Japan's Kyoto Target Can Be Achieved"

A joint committee of the Ministry of Economy, Trade and Industry's (METI) Industry Structure Council and the Ministry of Environment's (MOE) Central Environment Council December 21 published its final report on Japan's revised plan to reduce greenhouse gas (GHG) emissions to meet its Kyoto Protocol target.

The report says industry and other sectors will need to implement extra measures in order to reduce CO2 emissions by the equivalent of an additional 35-36 million tons.

These new measures include a reinforced industry voluntary action plan (to cut 18 million-tons), revision of the Energy-Conservation Law (9.5-11.5 million tons) and national energy conservation campaigns such as "Cool Biz" and "Eco-Drive" (6.78-10.5 million tons).

According to the report, if all these plans are successfully implemented, Japan will be able to attain its target of cutting GHG emissions by 6 percent from the 1990 level by 2012.

However, according to a December 27 Nikkan Kogyo Shimbun article, there is some disagreement on the accuracy of the report's findings. Dr. Yoichi Kaya, chair of the METI-MOE joint committee and Director-General for the Research Institute of Innovative Technology for the Earth (RITE, a METI-related organization), admitted that the report is "full of uncertainty." (ECON: Keiko Kandachi)

FISCAL POLICY

TOKYO 00005689 005 OF 010

111. (U) FY08 Budget Approved by Cabinet

Japan's Cabinet December 24 approved the central government draft regular budget for FY08 (April 2008--March 2009), clearing the way for its submission to the Diet's ordinary session to be convened in January.

The regular general account budget for FY08 shows an increase of 0.2 percent in overall outlays over the initial FY07 budget, primarily due to increases in mandatory spending items, such as social security.

However, discretionary outlays have been cut by 1.1 percent compared to the initial FY07 budget. This includes cuts in public works spending of 3.1 percent and ODA spending of 4.0 percent.

The budget supports government priorities, such as addressing regional disparities, with more resources, including an increase in transfers to local governments of 4.6 percent and more spending for SMEs (Small and Medium Enterprises), which will increase 2.2 percent. The FY08 budget projects a slight decline in government bond issuance (a rough proxy for the central government fiscal deficit on a national accounts basis) to 4.8 percent of GDP, compared to a projected 4.9 percent of GDP in FY07. (FINATT: Shuya Sakurai/Maureen Grewe)

110. (U) DPJ Tax Proposals Highlight Tax Cuts

The Democratic Party of Japan (DPJ) December 25 announced its FY08 tax proposals, which focus on tax cuts.

Many of the proposals are at odds with those of the ruling coalition, indicating the budget may face a tough time in the Diet when consideration of tax bills begins next year. Main differences include the treatment of the gasoline surcharge tax, taxes on financial income, and the use of consumption tax revenue.

In contrast to the ruling LDP/Komeito recommendation to extend the gasoline tax surcharge for 10 years and maintain its use for road construction, the DPJ proposes to eliminate the surcharge, as well as the earmark underlying taxes for roads, instead having the funds added to general revenue.

Through this measure, the DPJ reportedly wants to reform the pork-barrel nature of road construction and gain public approval through lower gasoline prices. Regarding taxes on financial income, the DPJ proposes allowing the current tax break on capital gains to expire as planned next year with the rate to rise back to 20 percent, while extend the special 10 percent rate on dividend income.

The ruling parties have proposed extending the 10 percent rate on both taxes through 2010 with a ceiling of five million yen for capital gains and one million yen for dividends. Capital gain or dividend income above those ceilings would be taxed at 20 percent.

For the consumption tax, the DPJ, like the ruling coalition, did not call for an immediate hike, but instead proposed use of all revenues from the current five percent consumption tax exclusively to fund basic pensions, and for an overhaul of the nation's social security programs as part of which an increase in the consumption tax rate could be considered.

A Nikkei report estimated that the DPJ's proposals would result in the loss to central and regional governments of a combined 2.6 trillion yen in revenues from the elimination of the road tax surcharge alone. (FINATT: Maureen Grewe)

----- FINANCIAL ISSUES -----

112. (U) Japan as Number 2 -- And Falling?

Japan may be enjoying its longest sustained economic growth in the postwar period -- over five years now with no downturn -- but, by other measures, Japan's economy remains in a funk.

According to a December 27 Nikkei report, Japan's share of

TOKYO 00005689 006 OF 010

global gross domestic products slipped below 10 percent for the first time in almost a quarter of a century. At 9.1 percent of global GDP, Japan's share of the world's economic pie is 50 percent off its peak in 1994.

According to the Nikkei report, which cited data released by the Cabinet Office, Japan's nominal GDP was up 1.4 percent in yen terms in 2006 but down 4 percent in dollar terms at some 4.37 trillion dollars, reflecting the yen's erosion in foreign

exchange markets last year.

Nikkei noted that Japan's ranking in per income data also slipped, and the country global presence was bound to slip further if reform efforts bog down. (ECON: Nicholas Hill)

13. (U) Tokyo Stock Exchange Threatens to De-list Sanyo over Accounting Problems

The Tokyo Stock Exchange December 26 threatened troubled Japanese electronics manufacturer Sanyo Electric with delisting after it submitted six years of corrected earnings reports. Sanyo, which is just starting to recover after a major restructuring drive, revised earnings reports for six years beginning with FY2000 and admitted earlier reports, had underestimated losses.

"We take the earnings correction very seriously," Sanyo president Seiichiro Sano told a press conference at the company's base in Osaka while bowing deeply. "We will create a system so something like this is never repeated."

The Tokyo Stock Exchange said it would consider delisting Sanyo, whose shares fell 3.60 percent December 26 despite strong gains on the broader market.

Japan's Securities and Exchange Surveillance Commission recommended the Financial Services Agency fine Sanyo Electric Co. for alleged accounting irregularities, according to December 25 Nikkei article.

The watchdog said Sanyo recorded a smaller loss amount at an affiliated company than it had actually incurred for the fiscal first half that ended in September 2005.

The SESC recommended FSA fine Sanyo 8.35 million yen (roughly \$70,000 dollars.) (ECON: Charlotte Crouch)

14. (U) FSA Announces Plan to Strengthen Japan's Capital Markets

On December 21, the Financial Services Agency (FSA) announced its Plan for Strengthening the Competitiveness of Japan's Financial and Capital Markets as part of the government's long-term plan to develop Tokyo as a global financial center.

Based on this plan, FSA will submit bills to revise the Financial Instruments and Exchange Law during the 2008 ordinary Diet session, which begins mid-January, and hopes to implement the amended law from next summer.

The four main points of the Plan are: (1) bolstering the confidence and vigor of the markets; (2) ensuring a business environment that vitalizes the financial services industry and promotes competition; (3) improving the regulatory environment, and; (4) improving the broader market environment. For more details, please click here. (ECON: Satoshi Hattori)

15. (U) NikkoCitigroup, Keio University Announce Joint Study Group on Tokyo as Global Financial Center

At a December 26 financial Seminar, Nikko Citigroup and Keio University's Global Security Research Institute (a project of former minister and Koizumi Cabinet Economic Guru Heizo Takenaka) announced the launch of a joint study group on the GOJ's initiative to make Tokyo an international financial center.

The study group defined three conditions for international financial centers, i.e. (1) a substantial volume of transactions of stocks, bonds, and other commodities or financial instruments; (2) substantial volume of investment banking practices, such as new issuance of shares, debt

TOKYO 00005689 007 OF 010

instruments or M&A deals, and; (3) significant numbers of

regional headquarters of world's leading financial institutions.

For Tokyo to meet such conditions, the study group is convinced that continued stable growth of the Japanese economy and expansion of trading markets and new issuances are essential. They also said opening Japan's financial and business activities to more foreign competition is inevitable, though this will present significant hurdles for Japanese businesses.

The study group considers that to make Tokyo as an international financial center should not be the ultimate goal, but it should be a vehicle for achieving a larger goal, namely, for Tokyo to become an international business center.

To that end, the announcement called for Japan to further rejuvenate its asset management capability and "let money work" through competition between domestic and foreign asset management companies.

The study group will conduct a three-year joint research project and issue a final report in mid 2010. (ECON: Satoshi Hattori)

¶16. (U) Advantage Partners Offer \$2.2B Bid for Tokyo Star Bank

Japanese private equity fund Advantage Partners said it would launch a bid for Tokyo Star Bank Ltd worth as much as 252 billion yen, allowing investment fund Lone Star to cash out of its 68 percent stake in the lender, according to a December 21 Reuter's article.

Advantage Partners said it would offer 360,000 yen for each of the 700,000 Tokyo Star shares owned by Lone Star, a 2.3 percent premium over Tokyo Star's December 21 closing share price of 352,000 yen and 8.5 percent above its three-month average price of 331,661 yen.

The news brings to an end a torturous few months for the funds, which have had to steer the deal through the storm in global credit markets and a tough regulatory review. (ECON: Charlotte Crouch)

----- TECHNOLOGY -----

¶17. (U) Willcom, KDDI Win Next-generation Licenses for Wireless Broadband

On December 21st, MIC granted new licenses to Carlyle-owned Japanese PHS (personal handy-phone system) service provider, Willcom Inc, and a KDDI-led consortium, Wireless Broadband Planning KK (WBPK) to provide next-generation 2.5 GHz wireless broadband service.

The services will allow quick Internet access and high-speed data transmission while the user is traveling by car or train. WBPK, which also includes a stake by Intel Corp., will provide the service utilizing WiMAX (Worldwide Interoperability for Microwave Access) technology, while Willcom will offer its services via next-generation PHS technology. The two plan to launch the service in 2009. (ECON: Kaoru Nakata)

¶18. (U) Okinawa Starts Regional GIX Demonstration Experiment

Two Okinawa IT companies, First Riding Technology Inc (FRT) and Okinawa Cross Head Inc., have begun a Global Internet Exchange (GIX) experiment intended to better link Okinawa, mainland Japan and Hong Kong starting December 15.

The two companies intend to develop a direct internet connection service to mainland Asia, rather than going through the internet access hub in mainland of Japan or the U.S., in order reduce communication costs and increase the speed of data transmission.

The companies are leasing a submarine cable between Okinawa and Taiwan and another between Taiwan and Hong Kong from FLAG

Telecom Inc. (an Indian owned company) and provide global internet access service to the companies who use FRT's data center.

TOKYO 00005689 008 OF 010

Thus far, four Japanese companies, Calbee Foods, Gaitame.Com, Index Okinawa and Cybazu Inc. have signed on to use this service beginning in 2008.

The Okinawa Prefectural Government is preparing a budget of about \$36,000 for FY2007 and about \$82,000 for FY2008 to aid this regional GIX experiment and to reduce users' costs. (NAHA: Thomas M. Kreutzer/Akinori Hayashi)

ENERGY

19. (U) JBIC to Give Its Largest Loan Ever to Abu Dhabi National Oil Company

The Japan Bank for International Cooperation (JBIC) will extend an advance payment loan of three billion dollars to the Abu Dhabi National Oil Company (ADNOC) for infrastructure, oil exploration and increased oil production according to JBIC officials. The loan, estimated to be the largest ever granted by JBIC, will allow Japanese oil companies access of up to 120,000 barrels of crude oil per day over a five-year or longer period. The deal is the result of an MOU signed between JBIC and ADNOC during former Prime Minister Abe's visit to the UAE in April 2007. In addition to these latest monies, JBIC and other banks will also extend \$2.2 billion in loans to finance a power and water desalination plant in Abu Dhabi. This will bring Japan's total commitments to the Emirates in this year alone to over five billion dollars. Japan currently imports approximately one-third of its oil from the UAE. (ECON: Sally Behrhorst/Eriko Marks)

20. (U) Japan Firms Ink Nuclear Energy Deal with Kazakhstan

Sumitomo Trading Company and Kansai Electric Power Co. signed a deal December 26 with Kazakhstan's state-run energy company, Kazatomprom, to process uranium for power generation.

Under the deal, Kazatomprom will reconvert enriched uranium into powder at a nuclear fuel facility in Kazakhstan.

Kansai Electric and Sumitomo will provide expertise and funding for necessary modifications to the plant which is capable of producing nearly twice as much nuclear fuel as Japan's current needs.

The companies released no financial information on the deal, but Nikkei estimates upgrades to the processing plant alone at Y70 - Y80 billion (\$615 - \$700 million).

The move is part of Japan's larger effort to forge closer ties with uranium-rich Kazakhstan to reduce dependence on Middle Eastern oil. Several other deals have been inked since Junichiro Koizumi became the first Japanese Prime Minister to visit Kazakhstan in August 2006. (ECON: Sally Behrhorst)

NOVA ENGLISH SCHOOL TROUBLES

21. (SBU) G.communication Chair Inayoshi Comments on NOVA Acquisition

Nagoya-based G.communication will not be able to fulfill its November promise to hire all former NOVA employees and reopen branches nationwide.

On December 27, Nagoya-based G.communication Chair Masaki Inayoshi told us, as of December 24, sub-unit G.education's

buyout of bankrupt NOVA extended to only 126 of the 200 schools it previously said it would acquire. Inayoshi would prefer to hire all former NOVA employees with satisfactory performance records, but his financial backers do not consider such a broad move financially responsible. He indicated G.education is having difficulties reopening former NOVA branches in some areas due to disagreements with landlords about rent arrears. Inayoshi believes NOVA's failure was primarily the result of its long-term payment program in which students paid a lump sum between 500,000 and one million yen per year for "NOVA points" that could be exchanged for future class time. By shortening

TOKYO 00005689 009 OF 010

the prepayment time to one month, G.education will be able to provide courses and maintain financial and operational stability.

To attract former NOVA students, G.education will offer a 75 percent discount for holders of NOVA class points. (Nagoya: Jonas Stewart/Tamiki Mizuno)

ROYAL NEWS

122. (U) Emperor's 74th Birthday (U)
Japan's Emperor Akihito and members of the royal family greeted thousands of well-wishers at the Imperial Palace as they celebrated his 74th birthday on December 23, 2007.

SPORTS

123. (U) New Crop of Japanese Players to Spice up Majors in 2008

With the 2007 transfer season now more or less over, another class of top-notch Japanese baseball players have moved to the major leagues.

Top of the list are four veteran pitchers, three of whom have recent Japan Series experience or were part of the Japan National Team that won the 2006 World Baseball Classic. Unlike in previous years, this year's migrants all came via free-agency and not the expensive (for U.S. teams, at least) posting system that brought Red Sox star Daisuke Matsuzaka to Boston this year.

Meanwhile, three Japanese major leaguers, all World Series veterans, jumped to new teams in the off-season. As a result of all these moves, more American fans than ever before will have the chance next season to witness first hand the high caliber of current Japanese play.

The chart below lists the Japanese players who signed new contracts this off-season, their likely positions next season, and their new and former teams. (ECON: David DiGiovanna)

Name/Age	Position	New Team	Fmr. Team
Masahide KOBAYASHI, 33	RHP (r),	Cleveland,	Lotte Marines
Yasuhiko YABUTA, 34	RHP (r),	Kansas City,	Lotte Marines
Kazuo FUKUMORI, 31	RHP (r),	Texas,	Rakuten
Hiroki KURODA, 32	RHP (s)	Los Angeles (NL),	Hiroshima
Kosuke FUKUDOME, 30	CF,	Chicago (NL),	Chunichi
Kazuo MATSUI, 32	2B,	Houston,	Colorado
Tadahito IGUCHI, 33	2B	San Diego,	Philadelphia
So TAGUCHI, 38	CF/LF,	Philadelphia,	St. Louis

124. (U) Long Suffering Red Sox Fans Finally Have Something to Divert Attention

It has been a long slog for Red Sox fans in Tokyo. Two full months have passed since they watched their team wrap up their second World Series title in four years. The days have grown shorter and the temperatures have slipped downward.

Other than watch Daisuke Matsuzaka and Hideki Okajima appear endlessly on silly TV talk and game shows, the only solace for long suffering members of Red Sox Nation is to turn to football.

The New England Patriots are poised to finish a perfect regular season on December 30 (Tokyo time), but there are no Japanese players on the Patriots' roster -- therefore, no live coverage on nationwide television in Japan.

NBA basketball is on Japan's airwaves. The Celtics may have the best record in the league, but--after watching the Red Sox sweep eight straight World Series games and the Patriots win 15 straight--can Japan's Red Sox fans find solace slumming it with a team that's only 24-3? (ECON: Nicholas Hill)

125. (SBU) THIS WEEK'S CABLES

5670 Fukuda's Visit to China

5655 DNSA Price Engages Japanese on Doha, Beef, China and

TOKYO 00005689 010 OF 010

Climate

5644 Japan Donates to Peacekeeping Efforts in Eastern Chad

5629 Beef

126. (U) This SENSITIVE BUT UNCLASSIFIED e-newsletter from U.S. Embassy Tokyo's Economic Section, with contributions from the consulates, is for internal USG use only. Please do not forward in whole or in part outside of the government. The Scope is edited this week by Charlotte Crouch (CrouchCA@state.gov) and Joy Progar (ProgarJ@state.gov). Please visit the Tokyo Econ Intranet webpage for back issues of the Scope. Apologies, this option is only available to State users. Please contact Joy Progar if you are from a different agency and are interested in a back issue.
DONOVAN